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DOMINION MAGNESIUM
L I M I T E D

29th
Annual Report

For The Financial Period Ended December 31, 1969



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Dominion Magnesium Limited

(Incorporated under the laws of Ontario)

OFFICERS

M. A. COOPER - - - - - President
J. THOMSON - - - Vice-President and General Manager
H. B. CLEARIHUE - - - - - SecretaryTreasurer

DIRECTORS

M. A. COOPER - - - - - Toronto
J. THOMSON - - - - - Toronto
G. T. N. WOODROOFFE - - - - - Toronto
C. P. KEELEY - - - - - Toronto
F. H. JOWSEY - - - - - Toronto
L. M. PIDGEON - - - - - Toronto
J. R. SMITH - - - - - Toronto
W. G. DAHL - - - - - Toronto

TRANSFER AGENT AND REGISTRAR

Crown Trust Company, 302 Bay Street, Toronto, Ontario

AUDITORS

Thorne, Gunn, Helliwell & Christenson, Toronto, Ontario

BANKERS

Royal Bank of Canada, Toronto, Ontario
Bank of Montreal, Renfrew, Ontario

GENERAL COUNSEL

Fasken & Calvin
Toronto-Dominion Centre, Toronto, Ontario

HEAD AND SALES OFFICE

7 King St. E., Toronto 1

PLANT

Haley, Ontario

ANNUAL MEETING

April 3rd, 1970, 11:30 a.m. (Toronto Time)
Conference Room - 20th Floor - 7 King St. E., Toronto

Dominion Magnesium Limited

Directors' Report

TO THE SHAREHOLDERS:

Your Directors submit herewith the Annual Report of your Company for 1969. Annual Sales of your Company's products amounted to \$9,710,039 for 1969 as compared with \$8,552,840 for 1968. This amounts to a 13.5% increase over 1968 sales. There was a consolidated net profit for the year of \$297,131 equivalent to 62 cents per share as compared to a net loss of \$96,561 or 20 cents per share for 1968.

The increase in earnings is mainly due to increased sales and prices for magnesium along with increased sales in calcium.

Shipments of the Company's main products were as follows:

	Year ended December 31st	
	1969	1968
Magnesium	22,649,455 lbs.	22,199,936 lbs.
Calcium	942,683 lbs.	468,512 lbs.
Thorium	919 lbs.	1,048 lbs.
Titanium	500 lbs.	4,105 lbs.
Dolomite	28,322 tons	19,595 tons

Production of magnesium crowns reached an all time high of 23,396,353 lbs. and 833,372 lbs. of calcium crowns were produced. All furnace capacity was in operation during the year with a seven week delay on one 40 retort electric furnace which was converted to longer retorts and natural gas heating. The Company also produced and shipped 741 lbs. of magnesium zirconium master alloy, 1,867 lbs. of barium and 1,027 lbs. of strontium. The extrusion plant shipped 678,879 lbs. of magnesium alloy extrusions compared to 1,038,548 lbs. in 1968.

Capital expenditures for the year amounted to \$892,705. The main items were the conversion of an electric furnace to longer retorts and gas heating, installation of ventilation and

cooling fans in furnace building, installation of a constant temperature dry room, purchase of die cast monitor measuring equipment and Chaseside loader at the Haley operations. The above expenditure includes \$493,865 for the ferrosilicon smelter at Beauharnois. The major programme to improve and expand the facility is almost completed. Main features were expansion of the processing and shipping area, crane bay extension of the smelter building, land drainage of the plant site, modification of cooling water supply system, new 550 volt sub-station, new control room for furnaces and additions to the maintenance shop.

Aerometals Limited sales for the year were \$613,593 a 5.7% increase over last year's sales of \$580,236. The greatest contribution to increased sales was the concrete handling bucket. Other products showing increased sales were mining equipment, step ladders and grain handling equipment. There was a large decline in Defence orders.

Ferrosilicon costs at the Beauharnois smelter showed a slight reduction over last year and further improvement in production costs is expected in 1970.

Research has been maintained to improve process efficiency, die casting alloys and products improvement. Large scale testing of pneumatic removal of residue from retorts and transporting from the furnace building are underway. A prototype machine for charging briquettes to the retorts has been designed and fabricated for testing.

The world market demand for magnesium is strong, thus ensuring sales of full production for 1970. The situation looks favourable for 1971. Trends in the calcium market indicate another year of good sales volume.

The Board would like to pay tribute to our Plant Managers, D. J. McPhail (Haley Plant), W. Z. Jarmicki (Aerometals Plant) and to H. G. Warrington, Manager of Sales and Technical Services, together with the staff and employees for their effort during the year.

On Behalf of the Board,

JOHN THOMSON,

Vice-President and General Manager.

Toronto, Canada,
March 4, 1970.

Dominion Mag

(Incorporated under the laws of the Province of Ontario)

AND SUBSIDIARIES

Consolidated Balance Sheet

(with comparative figures for 1968)

ASSETS

	1969	1968
CURRENT ASSETS		
Cash	\$ 484,144	\$ 607,246
Short term bank deposits and accrued interest	532,829	1,010,150
Accounts receivable	1,904,359	1,527,928
Income tax refund claim		122,835
Inventories valued at the lower of cost and net realizable value	1,309,110	1,218,407
Prepaid expenses	38,974	37,358
	<u>4,269,416</u>	<u>4,523,924</u>
FIXED ASSETS, at cost		
Mining properties and land	87,380	87,380
Plant and equipment	10,583,205	9,736,309
	<u>10,670,585</u>	<u>9,823,689</u>
Less accumulated depreciation	7,405,572	7,148,650
	<u>3,265,013</u>	<u>2,675,039</u>
OTHER ASSETS AND DEFERRED CHARGES		
Special refundable tax	24,427	24,427
Deferred charges	45,338	42,654
	<u>69,765</u>	<u>67,081</u>
	<u>\$ 7,604,194</u>	<u>\$ 7,266,044</u>

AUDITORS

To the Shareholders of
Dominion Magnesium Limited

We have examined the consolidated balance sheet of Dominion Magnesium Limited and its subsidiaries, statements of income, retained earnings and source and application of funds for the year then ended, and the procedures and such tests of accounting records and other supporting evidence as we considered necessary.

In our opinion these consolidated financial statements present fairly the financial position of Dominion Magnesium Limited and its subsidiaries at the end of the year then ended, and the source and application of their funds for the year then ended, in accordance with the accounting principles generally accepted in Canada.

Toronto, Canada
February 16, 1970

esium Limited

(Incorporated in the laws of Ontario)

Y COMPANIES

et — *December 31, 1969*

(at December 31, 1968)

LIABILITIES

	1969	1968
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 1,038,519	\$ 1,099,741
Income taxes payable	129,070	
	<u>1,167,589</u>	<u>1,099,741</u>
DEFERRED INCOME TAXES	255,200	205,500
PROVISION FOR PLANT AND EQUIPMENT REPAIRS	<u>343,958</u>	<u>301,420</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK		
Authorized — 500,000 shares of no par value		
Issued — 476,270 shares	3,203,045	3,203,045
RETAINED EARNINGS	2,634,402	2,456,338
	<u>5,837,447</u>	<u>5,659,383</u>

Approved by the Board

M. A. COOPER, *Director*

J. THOMSON, *Director*

\$ 7,604,194	\$ 7,266,044
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REPORT

mitted and subsidiary companies as at December 31, 1969 and the consolidated year then ended. Our examination included a general review of the accounting considered necessary in the circumstances.

osition of the companies as at December 31, 1969 and the results of their operations th generally accepted accounting principles applied on a basis consistent with that

Thorne, Gunn, Helliwell and Christenson
Chartered Accountants

Dominion Magnesium Limited

CONSOLIDATED STATEMENT OF INCOME

Year Ended December 31, 1969

(with comparative figures for 1968)

	1969	1968
Sales	\$9,710,039	\$8,552,840
Cost of sales	8,550,445	8,249,547
	1,159,594	303,293
Rental revenue, Beauharnois plant	241,334	219,635
Profit from operations before the following deductions	1,400,928	522,928
Deduct		
Selling, general and administrative expenses	355,462	318,202
Research	202,668	182,525
Depreciation	302,731	286,871
Contribution to employees' savings and pension fund	40,000	40,000
	900,861	827,598
	500,067	(304,670)
Other income		
Investment income	42,807	68,409
Profit on disposal of fixed assets		41,500
Sundry income	12,957	
	55,764	109,909
Income (loss) before income taxes	555,831	(194,761)
Income taxes (note 1)		
Current payable (recoverable)	209,000	(110,800)
Deferred	49,700	12,600
	258,700	(98,200)
Net income (loss) for the year	\$ 297,131	\$ (96,561)
Net income (loss) per share	62¢	(20¢)

Dominion Magnesium Limited

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Year Ended December 31, 1969
(with comparative figures for 1968)

	1969	1968
Balance at beginning of year	\$2,456,338	\$2,431,499
Deferred income tax adjustments (note 1)		121,400
	<u>2,456,338</u>	<u>2,552,899</u>
Net income (loss) for the year	297,131	(96,561)
	<u>2,753,469</u>	<u>2,456,338</u>
Deduct dividend — 25¢ per share	119,067	
Balance at end of year	<u>\$2,634,402</u>	<u>\$2,456,338</u>

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year Ended December 31, 1969
(with comparative figures for 1968)

	1969	1968
Source of funds		
Operations		
Net income (loss) for the year	\$ 297,131	\$ (96,561)
Items not involving current funds		
Depreciation	302,731	286,871
Deferred income taxes	49,700	12,600
Increase in provision for plant and equipment repairs	42,538	48,286
	<u>692,100</u>	<u>251,196</u>
Decrease in deferred charges		1,325
	<u>692,100</u>	<u>252,521</u>
Application of funds		
Additions to fixed assets	392,705	311,647
Dividend	119,067	
Increase in deferred charges	2,684	
Special refundable tax		133
	<u>1,014,456</u>	<u>311,780</u>
Decrease in working capital	322,356	59,259
Working capital at beginning of year	3,424,183	3,483,442
Working capital at end of year	<u>\$3,101,827</u>	<u>\$3,424,183</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1969

1. INCOME TAXES

The company reflects in earnings income taxes currently payable or recoverable. The company also reflects income taxes deferred by claiming capital cost allowances in excess of depreciation recorded in the accounts and by making provision for plant and equipment repairs by charges to income in excess of deductions claimed for tax purposes.

Taxes recoverable for 1968 result from application of a loss for 1968 against income for 1967. Deferred income tax adjustments in retained earnings reflect in 1968 adjustments relating to inter-company transfer of fixed assets.

2. STATUTORY INFORMATION

Remuneration of directors and senior officers (as defined by The Corporations Act) amounted to \$103,242 (1968, \$99,800).

Dominion Magnesium Limited

Head and Sales Office

7 King St. E.
Toronto 1, Ontario

Plant

Haley, Ontario

Magnesium Metal and Alloys

Ingots, Billets
Extrusions

Calcium Metal in all grades

and forms.
Calcium Alloys

Thorium Metal

Zirconium, Thorium, Titanium Metals and Master Alloys,
Barium, Strontium Metals Specialty Alloys

— SUBSIDIARY COMPANY —

Aerometals Limited Magnesium Designers and Fabricators
Ferrosilicon Plant

Head Office

7 King St. E.
Toronto 1, Ontario

Plant Office

195 Bentworth Avenue
Toronto 19, Ontario

Plant Products

Ladders — Industrial and Domestic
Wire Reels — Shipping and Process
Rigging Blocks
Shovels — Grain Handling
Snow Pushers
Trucks — Hand and Platform
Diamond Drill Rods
Concrete Buckets

Brick Tongs and
Construction Hardware
Pike Poles and Duct Rods
Defence Equipment
Tools, Dockboards,
Sporting Equipment
Drilling Towers
Luggage Frames

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The effect on magnesium production costs, due to the Ontario Government's 5% sales tax rulings related to Production Machinery and Apparatus, is of grave concern. This is particularly distressing in view of increased power, material, labour and transportation costs.

Exports account for more than 75% of the magnesium and alloy production. About 17% of the Export shipments enter the U.S.A. market duty-free under the Canada-U.S. Defence Production Sharing Act.

Recently a world shortage has developed in the magnesium market outside of the U.S.A. This has resulted in an upward pressure on prices which is likely to continue until further production capacity is established. Releases from the U.S.A. excess stockpile of magnesium continue to stabilize prices in that country.

JOHN THOMSON,
Vice-President and General Manager.

August 8, 1969.



DOMINION MAGNESIUM
LIMITED

INTERIM REPORT
TO
SHAREHOLDERS

6 MONTHS
ENDED June 30, 1969



DOMINION MAGNESIUM LIMITED

DOMINION MAGNESIUM LIMITED AND SUBSIDIARY COMPANY AEROMETALS LIMITED

CONSOLIDATED STATEMENT OF INCOME

(Interim Report Subject to Audit and Year-End Adjustments)

	Six Months Ended June 30 1969	* 1968
Sales	\$4,579,557	\$4,276,420
Operating Costs Including Depreciation	4,552,547	4,503,182
Operating Income or (Loss)	27,010	(226,762)
Rental Revenue, Beauharnois Plant (Less Depreciation and Insurance)	79,652	74,428
Other Income	32,846	34,204
Income or (Loss) Before Income Taxes	139,508	(118,130)
Income Tax (Recoverable)	65,000	(49,100)
Net Income or (Loss) Estimated	<u>\$ 74,508</u>	<u>\$ (69,030)</u>
Net Income or (Loss) Per Share	<u>\$0.15</u>	<u>(\$0.14)</u>

*1968 figures are proportion of 1968 Annual Figures omitting Profit on Disposal of Fixed Assets.

To the Shareholders:

The following is a condensed report of the results of operations for the six months ended June 30, 1969 and comparable information for the corresponding period of 1968.

Total sales volume for the first six months of 1969 was 7.1% higher than the same period for 1968. This was due entirely to calcium sales which were 2.9 times the volume of the corresponding period last year. Aero-metals Limited sales were up 19.2%, mainly due to increasing business in concrete handling buckets, step ladders and dockboards.

The increase in earnings results from the larger calcium sales along with a slight decrease in the cost of ferrosilicon.

Some additional improvement is anticipated during the balance of the year as a result of the added facilities in the Beauharnois Smelter which will become fully effective in the period.

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

SOURCE OF FUNDS	\$	74,508	\$	(69,030)
Net Income or (Loss) for the period				
Add charges not involving the current outlay of funds				
Depreciation	149,200		143,435	
Deferred Income Taxes	28,000		6,300	
Provision for plant and equipment repairs, increase	40,927		24,143	
Deferred charges, decrease	1,778		662	
APPLICATION OF FUNDS				
Additions to fixed assets	294,413		105,510	
Decrease in working capital	547,641		155,823	
	<u>\$ 253,228</u>		<u>\$ 50,313</u>	

Dominion Magnesium Limited

HEAD OFFICE
7 KING ST. E., TORONTO

ANNUAL MEETING OF SHAREHOLDERS

TAKE NOTICE that the Annual Meeting of the Shareholders of Dominion Magnesium Limited will be held in The Conference Room, 20th Floor, 7 King St. E., Toronto, on Friday, the 3rd day of April, 1970, at the hour of 11:30 o'clock in the forenoon (Toronto Time).

- (a) To receive the Consolidated Financial Statements of the Company, Directors' Report and the Auditors' Report thereon for the fiscal year ended December 31st, 1969.
- (b) To elect Directors for the ensuing year.
- (c) To appoint Auditors.
- (d) To transact such other business as may properly come before the meeting or at any adjournment or adjournments thereof.

DATED at Toronto, Canada, March 12th, 1970.

H. B. CLEARIHUE,
Secretary-Treasurer.

If it is not your intention to be present at the meeting, the favor of your proxy on the attached form is respectfully requested.

Dominion Magnesium Limited

Information Circular

This Information Circular is furnished in connection with the Solicitation of proxies for use at the Annual Meeting of the Shareholders of Dominion Magnesium Limited (hereinafter called "the Company") to be held in the Conference Room, 20th Floor, 7 King Street East, Toronto, on Friday, the 3rd day of April, 1970 at 11:30 a.m. in the forenoon for the purpose set forth in the accompanying Notice of Annual Meeting.

The enclosed proxy is solicited by the management of the Company. The Solicitation will be made only by mail. The cost of the Solicitation will be borne by the Company. A shareholder giving a proxy has power to revoke it at any time before it is voted.

Voting Shares and Principal Holders Thereof

The Company has outstanding 476,270 shares of no par value. Each holder of a common share of the Company of record on April 3rd, 1970, the date of the meeting, is entitled to one vote for each such share held. All proxies must be lodged with the Secretary at or prior to the commencement of the meeting.

To the knowledge of the directors and senior officers of the Company, the following are the only persons or companies who beneficially own directly or indirectly, more than ten per cent of the shares of the Company:

<u>Name</u>	<u>Number of shares beneficially owned as of March 12, 1970</u>	<u>Approximate percentage of outstanding shares</u>
Falconbridge Nickel Mines Limited Toronto, Ontario	263,004	55.2%

Election of Directors

The By-Laws of the Company provide that the Board of Directors shall consist of (8) eight directors to be elected annually. The term of Office for each director is until the next annual meeting or until his successor is elected.

The following persons are proposed to be nominated for election as Directors of the Company.

<u>Name and principal occupation of nominee during the past 5 years</u>	<u>Became a Director</u>	<u>Shares Beneficially owned as at March 12, 1970</u>
J. Thomson..... Vice-President and General Manager Dominion Magnesium Limited	1956	661
C. P. Keeley..... Vice-President and Director McLeod, Young, Weir & Co. Ltd. (Investment Dealers)	1967	55
F. H. Jowsey..... Mining Executive F. H. Jowsey Limited	1957	1

<u>Name and principal occupation of nominee during the past 5 years</u>	<u>Became a Director</u>	<u>Shares Beneficially owned as at March 12, 1970</u>
M. A. Cooper..... President Falconbridge Nickel Mines Limited since February 1969 President, McIntyre Porcupine Mines Limited August 1967 to January 1969 Partner, James, Buffam and Cooper prior to August 1967	1969	Nil*
L. M. Pidgeon..... Consulting Metallurgist Dominion Magnesium Limited Professor, Department of Metallurgy and Material Science, University of Toronto	1952	25
J. R. Smith..... Vice-President, Eastern Mineral Division Falconbridge Nickel Mines Limited	1968	Nil*
G. T. N. Woodrooffe..... Vice-President, Corporate Affairs Falconbridge Nickel Mines Limited	1957	Nil*
W. G. Dahl..... Vice-President, Director Falconbridge Nickel Mines Limited	1969	Nil*

* Each nominee for director noted as owning nil shares beneficially holds one qualifying share in trust for Falconbridge Nickel Mines Limited.

Remuneration of Directors and Senior Officers

During the fiscal year ended December 31, 1969 the aggregate direct remuneration paid or payable by the Company and its subsidiaries (all of which were consolidated) to all directors and senior officers as a group was \$103,242.

The aggregate cost to the Company and its subsidiaries in the fiscal year ended December 31, 1969 of normal pension benefits to all directors and senior officers amounted to \$2,717.

There are no other plans, contracts or arrangements for payments by the Company or any of its subsidiaries to any director or senior officer. The Company has no stock option plan.

Appointment of Auditors

It is intended to vote the proxy to re-appoint the firm of Thorne, Gunn, Helliwell & Christenson (who have been the auditors of the Company for many years) to hold office until the next annual meeting of Shareholders.

Designation of Others to Vote Proxies

Each shareholder has the right to designate as his proxy a person other than the management nominees to attend and act for such shareholder at the annual meeting. Any shareholder desiring to exercise such right may do so by striking out the names of the management nominees named in the enclosed form of proxy and inserting in the space provided the name of the person who such shareholder desires to appoint as proxy. Proxies given in favour of a person other than the management nominees should be forwarded to such person and should not be forwarded to the company.

By Order of the Board of Directors,

H. B. CLEARIHUE,
Secretary-Treasurer.

Dated March 12th, 1970.

1. The first part of the report deals with the general situation of the country and the progress of the work done during the year. It is a summary of the work done by the various departments and is intended to give a general impression of the work done during the year.

2. The second part of the report deals with the work done by the various departments. It is a summary of the work done by each department and is intended to give a general impression of the work done during the year.

3. The third part of the report deals with the work done by the various departments. It is a summary of the work done by each department and is intended to give a general impression of the work done during the year.

4. The fourth part of the report deals with the work done by the various departments. It is a summary of the work done by each department and is intended to give a general impression of the work done during the year.

5. The fifth part of the report deals with the work done by the various departments. It is a summary of the work done by each department and is intended to give a general impression of the work done during the year.

6. The sixth part of the report deals with the work done by the various departments. It is a summary of the work done by each department and is intended to give a general impression of the work done during the year.

7. The seventh part of the report deals with the work done by the various departments. It is a summary of the work done by each department and is intended to give a general impression of the work done during the year.

8. The eighth part of the report deals with the work done by the various departments. It is a summary of the work done by each department and is intended to give a general impression of the work done during the year.

9. The ninth part of the report deals with the work done by the various departments. It is a summary of the work done by each department and is intended to give a general impression of the work done during the year.

10. The tenth part of the report deals with the work done by the various departments. It is a summary of the work done by each department and is intended to give a general impression of the work done during the year.